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FOR ACTION

INTEGRATED BUDGET FOR UNICEF HEADQUARTERS AND REGIONAL OFFICES FOR THE BIENNIUM 1996-1997

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the integrated budget for headquarters and regional offices of UNICEF for the biennium 1996-1997 (E/ICEF/1996/AB/L.5). During its consideration of this report, the Committee met with the Executive Director and her colleagues who provided additional information.

2. As indicated in paragraphs 1 and 2 (a) of E/ICEF/1996/AB/L.5, the Executive Director presents a proposed budget for the biennium 1996-1997, incorporating in the presentation the budgets for headquarters and regional offices. The budget also includes activities and posts which were previously budgeted separately under global funds. The Committee notes that in decision 1995/30 (E/ICEF/1995/9/Rev.1), the Executive Board took note of the intention of UNICEF to submit an integrated proposal to the April 1996 session of the Board.

3. The Advisory Committee points out that the proposal to submit an integrated budget for headquarters and regional offices was not before the Committee when it considered the UNICEF baseline budget proposal for 1996-1997 (E/ICEF/1995/AB/L.5) and its response to the recommendations of the management review (E/ICEF/1995/AB/L.4). In the context of those proposals, the Advisory Committee made its observations and recommendations in its report E/ICEF/1995/AB/L.12.

* E/ICEF/1996/9.

4. The Committee recalls that in the UNICEF report E/ICEF/1995/AB/L.4, paragraphs 26-28, UNICEF indicated, with respect to the recommendation of the management study to integrate programme and administrative budgets for headquarters and country offices, that it had "begun to review the existing budget framework in terms of medium-term planning, the overall budget policy and structure, budget preparation and submission procedures, and the appropriation and budgeting method in country programme budgets and the administrative and programme support budget". It also had indicated that, as a result of "joint reviews of budgets and country programmes, starting in 1995, for all countries submitting full or short-duration 'bridging' country programme proposals", the "administrative and programme support budget would be synchronized with the country programme cycle". UNICEF further indicated that "a new format for the integrated programme and administrative budget may be submitted to the Advisory Committee and the Executive Board in 1996" and that it was "hoped that the new format will take effect from 1 January 1998".

5. The Committee notes from paragraph 2 (a) that the budget proposal includes all headquarters posts previously charged to recovery funds in accordance with decision 1994/R.3/5 (E/ICEF/1994/13/Rev.1), adopted at the third regular session of 1994, and that, with the exception of the part for country allocations from the Emergency Programme Fund and the Special Adjustment Facility for Latin America and the Caribbean, the integrated budget proposal for 1996-1997 does not include budgetary estimates for the field offices. The Committee notes that the Executive Board, in its decision 1995/31 (E/ICEF/1995/9/Rev.1), took note "of the secretariat's intention to submit to the September 1997 Executive Board session an integrated budget for field offices incorporating the budgets of administrative and programme support and the country programmes".

6. The integrated budget for the 1996-1997 biennium amounts to $346.0 million, which is the same as the total approved budget for the 1994-1995 biennium ($239.1 million in the administrative and programme support budget, $84.2 million charged to global funds and $22.7 million of staff costs charged to recovery funds). The Committee notes from annex IV that provisions for temporary assistance ($13,769,400) are high in proportion to staff costs ($188,395,400). The Committee understands that provisions for consultants are included under temporary assistance. The Committee recommends that in future budget proposals the Executive Director identify the total costs of consultants separately. The Committee had cautioned UNICEF against the over-use of consultants in the reform process and stressed the need for full use of in-house expertise (E/ICEF/1995/AB/L.12, para. 12).

7. As indicated in tables I.2 and I.3, the headquarters component of the budget increases from $236.5 million in 1994-1995 (including $22.7 million of staff costs charged to recovery funds) to $284.0 million in 1996-1997, and the regional offices budget increases from $25.3 million to $62.0 million. The Committee notes from paragraph 7 that the integrated budget contains a new category of expenditures entitled "advocacy and programme development costs". This category of expenditure contains $23.4 million of non-staff costs ($14.8 million at headquarters and $8.6 million at regional offices) that previously were charged to the global funds budget. The staff costs and some non-staff costs that previously were charged to the global funds budget are budgeted under the staff costs and general operating costs (categories 1 and 2 of the integrated budget).

8. As indicated in paragraphs 2 (c)-(i), 3 and 4 (b) and tables I.2 and I.3, the budget proposal for 1996-1997 includes changes in staffing and structure of various units of UNICEF. At headquarters, there is a proposed reduction of 23 posts (5 Professional, 1 national Professional officer and 17 General Service), and at regional offices, there is an increase of 39 posts (15 Professional, 6 national Professional officer and 18 General Service), resulting in a net increase of 16 posts (10 Professional, 5 national Professional officer and 1 General Service) at headquarters and regional offices (from 1,078 posts in 1994-1995 to 1,094 posts in 1996-1997).

9. The Committee notes from table I.1 that 232 posts charged to global funds in 1994-1995 have been proposed for integration in the 1996-1997 budget. Upon request, the Committee was provided with the proposed staffing table by post level for the integrated 1996-1997 administrative and programme support budget, comprising 2,514 posts (1,094 at headquarters and regional offices and 1,420 at country offices). This is attached to the present report as an annex.

10. The Committee recalls that as indicated in paragraph 16 of its report E/ICEF/1995/AB/L.12, the largest proportion of posts charged to global funds in 1994-1995 were allocated to headquarters-based activities (74 Professional and 54 General Service). The Committee recalls that it had indicated that the number of posts allocated to headquarters was high and that, as a result of global funds activities at headquarters, there had been a disproportionate increase in administrative costs, including shortages of office accommodation at headquarters at the expense of project delivery in the field. The Committee reiterates its view that global funds are intended primarily to provide additional programme resources and technical support to countries and that these activities should be phased out if no longer required or, as appropriate, integrated into country programmes (see, for example, E/ICEF/1993/AB/L.2, para. 51). The Committee believes that full consideration has not yet been given to recommendations of the management study on global goals, which also reflects views of the Committee.

11. The Committee is not convinced that a full analysis of all the "advocacy and programme development costs" at headquarters and regional offices has been carried out. The Committee notes from table I.3 that for 1996-1997, the Executive Director proposes $575,600 for "programme materials, publication and development" and $1,238,600 for "research and studies". The intended purpose of those amounts was not explained satisfactorily to the Committee. The Committee also notes from table I.3 that $674,200 is proposed under "information" and that staff from the Research and Programme Publications Section of the Evaluation and Research Office are proposed for redeployment to the Division of Information (paras. 46 and 63). The Committee recommends further analyses of all costs under the category of "advocacy and programme development costs" with a view to integrate administrative and programme support costs under category IV of table I.2 of E/ICEF/1996/AB/L.5 into the rest of the budget.

12. The Committee notes from paragraph 2 (b) that on the basis of recommendations of the management excellence project teams, the Executive Director plans to submit revisions to the budget proposal for 1996-1997 during the latter part of 1996 and in 1997. The Committee notes that these revisions

will take into account, inter alia, recommendations based on external consultancies for supply, information resources management and financial management. As indicated in paragraph 75 of E/ICEF/1996/AB/L.5, reports by consultants on the UNICEF supply function and the inventory management systems are expected in April 1996.

13. With regard to information resources management, the Committee notes from paragraph 18 (iv) that the budget includes provision of $7.7 million for these activities. Upon inquiry, the Committee was informed that the report on the information technology strategy study was completed by a consultancy firm and issued in January 1996. It was indicated that the report and its recommendations are under consideration by UNICEF management in conjunction with the outcome of other studies. It was indicated that the programme manager system, which started in 1993 for use in all field offices, would be completed by 1998 at an estimated total cost of $6,592,000. The Committee also was provided with the terms of reference of the Price Waterhouse contract mentioned in paragraph 31 of E/ICEF/1996/AB/L.5. The value of this first contract ($153,870) for the period from 15 March to 31 July 1996 is included in the budget of $3,378,000 for the integration and adaptation of the United Nations Integrated Management Information System to UNICEF requirements, as indicated in paragraph 30 of E/ICEF/1996/AB/L.5.

14. The Committee notes from paragraph 6 of the UNICEF progress report on the management excellence programme (E/ICEF/1996/AB/L.3) that the financial systems study, started in January 1996, will "support integrated budgets, provide for greater transparency in financial reporting, make financial closures simpler and quicker, and provide up-to-date financial information for management decisions throughout UNICEF". As indicated in the annex of E/ICEF/1996/AB/L.3, the recommendations of the management study included under "financial systems" such goals as "eliminate double budgeting, integrate programme and administrative budgets for country offices and develop a more analytical budgeting proposes". The Committee exchanged views on this subject with representatives of the Executive Director. The Committee believes that limited progress has been made in this regard.

15. The Advisory Committee found the integrated budget proposal for 1996-1997 for headquarters and regional offices difficult to follow as it presents only a fragmented view of the UNICEF operation. In the absence of information on the activities of country offices and programmes, the Committee had difficulty relating the proposal for administration and programme support for headquarters and regional offices to the requirements of country offices and field programmes. The document lacks information on the overall budgetary strategy of UNICEF in the context of its policy orientation, programme focus and operational strategies, in particular in the field. Had the Committee been given the opportunity to comment earlier on this approach, it would have discouraged the UNICEF Executive Director to pursue this direction.

16. As indicated in paragraph 25 of E/ICEF/1996/AB/L.3, the Human Resources Strategy and Strategic Function Project Team has been active in developing a human resources strategy for UNICEF which will be reflected in a strategy paper to be finalized at the end of the first quarter of 1996. The Advisory Committee welcomes these efforts. The Committee recalls that, in its report

E/ICEF/1995/AB/L.12, it had indicated that in implementing the recommendations of the management study, the human resources management area is one where close consultations with the Executive Board should take place in order to ensure sustainability of the reform. The Committee indicated that high priorities should be given to the recommendations in the management study on human resources management and recommended that UNICEF present a report to the Executive Board outlining a strategy to implement these recommendations.

17. The Advisory Committee notes from annexes VI and VII that the integrated budget proposal includes the abolition of 31 posts in the 100 series of the United Nations Staff Rules (core posts) and the establishment of 47 posts in the 200 series of the United Nations Staff Rules (project posts). The Committee points out that under Staff Rule 200.1 and 200.2 (Applicability and definition), the 200 series of the Staff Rules are applicable to project personnel for service with technical assistance projects. The Committee was informed that all post reclassification proposals shown in annex VIII of E/ICEF/1996/AB/L.5 were classified in accordance to the standards of the International Civil Service Commission (ICSC), with the exception of the proposal in paragraph 61 for the establishment of an L-6 post for a legal affairs officer.

18. The Committee sought clarification as to the reasons why the Executive Director proposed the establishment of all new posts in the administrative and programme support budget for headquarters and regional offices as project posts. The Committee was informed that UNICEF, as a voluntarily-funded organization, needed maximum flexibility to extend contracts for a limited duration on a non-permanent basis. It was indicated that UNICEF is working with the United Nations Office of Legal Affairs to establish UNICEF "authorities within the United Nations system to reduce the number of permanent contracts". The Committee recommends that the Executive Director initiate consultations with other funds and programmes of the United Nations, preferably under the auspices of the Consultative Committee on Administrative Questions (CCAQ), and make proposals to the Executive Board at the earliest opportunity in the context of the personnel report mentioned in paragraph 16 above. The Committee reiterates its view that there should be a unified common system approach to these personnel arrangements in funds and programmes of the United Nations. These matters should be submitted for review to the ICSC, which could make recommendations to the General Assembly, as appropriate. It is ultimately for the General Assembly to approve such proposals in light of its central role with regard to the conditions of service of the United Nations common system.

19. Taking into account Executive Board decision 1995/25, paragraph 1 (f) (E/ICEF/1995/9/Rev.1) on management excellence in UNICEF, the Committee expects to review and advise the Executive Board on the follow-up of the management review and on the Executive Director's "recommendations for implementation affecting policy, structure, financial and/or staffing, requiring Board approval". The Committee will revert to the subject of human resources management in UNICEF in the context of the proposals by the Executive Director in this regard.

20. The Committee notes from paragraph 9 of E/ICEF/1996/AB/L.5 that the Executive Director proposes a new appropriation structure for the budget of headquarters and regional offices, comprising three parts, namely programme

assistance, programme support, and management and administration. The Committee further notes from table I.5 and paragraph 16 that the Executive Director estimates the overhead ratio of UNICEF to be 8.5 per cent for the 1996-1997 biennium. In the view of the Committee, this presentation of UNICEF overhead is misleading and serves no purpose, as the administrative and programme support costs of various units at headquarters (i.e., Programme Division, Office of Emergency Programmes, Supply Division and Copenhagen) and at the field offices are not included. Upon inquiry, the Committee was informed that administrative and programme support costs for headquarters and field offices (regional and country offices) would be approximately 25.5 per cent of the total projected expenditure of $2,041 million ($1,156 million from general resources and $885 million from supplementary funds) for 1996-1997 in the medium-term plan.

21. The Committee exchanged views with UNICEF representatives on the subject of progress made in the harmonization of budget presentation with other funds and programmes of the United Nations (see DP/1995/52, para. 3 and DP/1995/43, para. 2). Taking into account General Assembly resolution 49/216 E of 23 December 1994 and paragraphs 45 and 46 of its resolution 50/120 of 20 December 1995, the Committee recommends that the Executive Director avail herself of the consultative machinery in place, such as CCAQ, to attain more significant progress in the promotion of greater consistency of the budget presentation with other funds and programmes of the United Nations system.

22. The Committee notes from paragraph 15 of E/ICEF/1996/AB/L.5 that "the medium-term plan serves as a framework of financial, programme and personnel projections within the context of corporate objectives and financial strategies". The Committee notes further that because of a modest general resources income forecast for 1996-1997 ($564 million in 1996 and $592 million in 1997, as shown in table 2 of E/ICEF/1995/AB/L.13, declines in programme expenditures from general resources are expected to be offset by increases in contributions of supplementary funds. As indicated in paragraph 171 (a) of E/ICEF/1996/AB/L.5, however, "there is considerable uncertainty regarding how much of these funds will be received, from which donors, for which programmes and at what time". The Committee recommends that the Executive Director include in the introductory part of the next budget presentation a concise statement of the current and projected income of UNICEF, as well as anticipated expenditure, in order to place the Executive Director's budgetary proposals in a context of the foreseen resources.

23. The Committee notes from paragraph 18 (iii) of E/ICEF/1996/AB/L.5 that there is an increase of $1.3 million in the headquarters budget for additional months of occupancy costs at One Dag Hammarskjold Plaza (DHP) and for the delay in the moving of Greeting Card and related operations (GCO) to UNICEF House. Upon inquiry, the Committee was informed that a 16-week delay in the move from the DHP building to the 633 Third Avenue building was attributable to a combination of factors, including: (a) unanticipated prolonged lease negotiations between UNICEF, the City of New York and the United Nations Development Corporation, which delayed the signing of the lease agreement; (b) the process of bidding and selection of contractors and architects had to be put on hold until the lease was finalized; and (c) discovery of asbestos in the building after the demolition, which further delayed the construction activity. It was indicated that based on the current situation, the move was expected to

take place in April, commencing on 13 April 1996. The Committee also was informed that the additional financial outlay as a result of UNICEF continuing as a tenant in the DHP building totals $426,000 for four months rental and operating costs. Furthermore, UNICEF had to pay $100,000 per month to the landlord, as additional compensation for expenses incurred by the landlord, because UNICEF continued to occupy the DHP premises in a holdover since 1 January 1996. As a result of the above, it was added that GCO will not move to UNICEF House until August 1996 and that the amount of $500,000 to be charged to the GCO budget will have to be borne by UNICEF.

24. As indicated in paragraph 24 of E/ICEF/1996/AB/L.5, the Executive Director proposes changes in the structure of the New York headquarters, which include the consolidation of the Planning and Coordination Office, the Evaluation and Research Office and the Social Policy and Economic Analysis Office into the Office of Strategic Planning, Policy Analysis and Evaluation; the realignment of the Programme Division; and the deployment of the personnel services function of GCO to the Division of Human Resources. The Committee notes the initial steps taken to streamline and rationalize the fragmented structure of UNICEF.

25. Upon inquiry, the Committee was informed that the headquarters organizational structure, as shown in annex II of E/ICEF/1996/AB/L.5, will change again once the studies mentioned in paragraph 14 above are concluded. The Committee reiterates its view (E/ICEF/1995/AB/L.12, para. 13) that, with regard to the implementation of the management study, UNICEF proposals should be grouped and, to the extent possible, focused on one particular area or aspect of its management and operations. Proposals of the Executive Director should indicate clearly how they relate to the management study, or if they differ or are in addition to what is contained in the study, explanations should be provided. The Committee believes that the Executive Director should not have made reorganization proposals for headquarters, on a piecemeal basis, in the context of the integrated budget for 1996-1997.

26. In the view of the Committee, further efforts are required to rationalize the headquarters structure. For example, the Committee is not convinced of the need to have separate divisions for information and for public affairs under the External Relations Group, as well as two separate divisions, one for information resources management and another for administrative management, under the Operations Group at headquarters. The Committee cautions UNICEF against fragmentation in organizational units, such as that described in paragraphs 52-56 of E/ICEF/1996/AB/L.5, with respect to the structure of the Programme Division. This may lead, in the opinion of the Committee, to inefficient implementation of programmes. The Committee recommends that the Executive Director re-examine the UNICEF structure, taking into account the results of the ongoing management excellence study.

27. The Committee notes from paragraph 25 that the Executive Director proposes to abolish a P-5 senior auditor post and to upgrade two General Service posts to the L-3 and L-2 levels so "that the internal audit service will be able to meet the challenges for greater efficiency and effectiveness". In light of the serious problems of internal control that UNICEF has encountered in its operations (see, for example, the report of the Board of Auditors for the biennium ended 31 December 1993, A/49/5/Add. 2, paragraph 123), the Committee is

of the view that the internal audit proposals of the Executive Director are not adequate to respond to these needs of the internal control function of the organization.

28. Upon inquiry, the Committee was informed that field offices are audited on the basis of a "rolling" work plan, at best once every three years (see also DP/1996/16, annex II). The Committee believes that the internal audit operations of UNICEF should be strengthened, on a priority basis, with resources required to increase coverage and frequency of internal audits in the field. The Advisory Committee recalls the provisions of General Assembly resolution 48/218 B, paragraph 11. In this connection, the Committee recommends that the Executive Director formulate and propose, in consultation with the United Nations Office of Internal Oversight Services, a specific plan of action to enhance UNICEF internal oversight services, particularly in the areas of investigation and inspection.

29. The Committee notes from paragraph 88 of E/ICEF/1996/AB/L.5 that other expected changes to be addressed in subsequent revisions include the role of regional offices as regional support centres, "with a change of reporting relationship, supervision and enhanced support and oversight functions". It is indicated that "the proposal has yet to be discussed more broadly within UNICEF, and some recommendations with implications on structure and staffing will be submitted later to the Executive Board for approval". It also is added that "further analysis will be needed to determine whether a net increase in investment will be required at the regional level. This will be reflected in future budget submissions when the work of the management excellence projects are concluded". In the view of the Committee, in the next budget document the Executive Director should explain fully what steps will be taken by UNICEF to eliminate duplicative functions of the regional offices with those of other organizational units. The Committee recalls that this was one of the potential areas of improvement identified in the recommendations of the management study by Booz•Allen with respect to the role of regional offices.

30. As indicated in paragraphs 142-164 of E/ICEF/1996/AB/L.5, the Executive Director proposes to establish a regional office, based in Geneva, for Central and Eastern Europe, the Commonwealth of Independent States and the Baltic States, and new liaison offices based in Minsk (Belarus), in Moscow (Russian Federation) and in Kiev (Ukraine). As shown in table V.12, the Executive Director proposes to establish 17 posts (10 Professional and 7 General Service). The total cost for the regional office is $12 million ($4.3 million of staff costs, $2.0 million for general operating costs and $5.7 million for cash and supply assistance under "advocacy and programme development costs"). Upon inquiry, the Committee was informed that UNICEF plans to utilize the allocation of $5.7 million to finance programme requirements in countries that do not have a regular country programme. The Committee recommends approval of the proposed arrangements for the establishment of this regional office. The Committee requests the Executive Director to ensure an efficient use of the approved resources by taking advantage of economies of scale.

31. The Committee notes from paragraph 434 of E/ICEF/1995/9/Rev.1 that the Executive Director intends to submit a fully integrated budget proposal for 1998-1999 that will include the budget for all field offices to the Executive

Board at its third regular session of 1997. The Committee recommends that the resources for the budget for headquarters and regional offices for 1996-1997 be approved in the amount of $346.0 million as requested by the Executive Director. However, changes in the organizational structure of UNICEF and changes in posts (including redeployments and reclassifications) should be resubmitted for review and approval by the Advisory Committee and the Executive Board in the context of a fully integrated budget proposal for administrative and programme support costs for the 1998-1999 biennium. The Advisory Committee will review the integrated budget taking into account the results of the management excellence programme mentioned in paragraph 12 above.

ANNEX

Proposed posts for the 1996/1997 budget

HQ, Regional Office and Country Offices
Core, Recovery and Global Funded Posts

Posts by Grade	Baseline 1996-1997 budgets HQ & Reg Offices 1/	Country Offices	Total 3/	Inc (dec) HQ & Reg Offices 4/	Inc (dec) Country Offices 2/	Proposed 1996-1997 budgets Total	HQ & Reg Offices 1/	Country Offices
USG	1	0	1	0	0	1	1	0
ASG	2	0	2	0	0	2	2	0
D2/L7	21	6	27	2	0	29	23	6
D1/L6	39	20	59	-6	0	53	33	20
P5/L5	149	88	237	5	0	242	154	88
P4/L4	124	96	220	-1	0	219	123	96
P3/L3	64	45	109	7	0	116	71	45
P2/L2/P1/P2	24	2	26	3	0	29	27	2
TOTAL IP	424	257	681	10	0	691	434	257
Nat'l Prof	23	215	238	5	-1	242	28	214
Gen Service	631	950	1581	1	-1	1581	632	949
TOTAL	1078	1422	2500	16	-2	2514	1094	1420

1/ E/ICEF/1996/AB/L5 Table 1.1
2/ E/ICEF/1996/AB/L5 Annex IX
3/ E/ICEF/1995/AB/L 12 Annex 1 2268
E/ICEF/1996/AB/L 5 Table 1.1 232
TOTAL 2500

4/ Increase of 16 posts includes 4 deployments from GCO, 2 core and 19 project funded posts from country offices. Therefore, to the organization there was a decrease of 9 posts.